

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON LOCAL GOVERNMENT

Call to Order: By **VICE-CHAIRMAN KEN MILLER**, on February 4, 1999
at 3:05 P.M., in Room 325 Capitol.

ROLL CALL

Members Present:

Sen. Mike Sprague, Chairman (R)
Sen. Ken Miller, Vice Chairman (R)
Sen. John C. Bohlinger (R)
Sen. Chris Christiaens (D)
Sen. Dorothy Eck (D)
Sen. Bill Glaser (R)
Sen. Duane Grimes (R)
Sen. Don Hargrove (R)
Sen. J.D. Lynch (D)
Sen. Dale Mahlum (R)
Sen. Jon Tester (D)

Members Excused: None.

Members Absent: None.

Staff Present: Jodi Pauley, Committee Secretary
Mary Vandebosch, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 277 thru SB 287, 1/29/1999
Executive Action: None

HEARING ON SB 277 THRU 287

Sponsor: SEN. JOHN BOHLINGER, SD 7, BILLINGS

Proponents:

Patt Leikam, MT People's Action

Carson Strege, MT Housing Partnership
Byron Roberts, MT Building Industry Assoc.
Ren Essene, Housing Director of Women's Opportunity in Research
Development
Mick Robinson, Governor's Office
Jim Fleischmann, MT H.O.M.E. Program
Mary Bouchard, Montana's People Action
Carol Ann Hovland, Coalition of Montanans Concerned with
Disabilities
Lora Dalton, MT People's Action
Jim McGrath, Alderman in Second Ward of Missoula
Bob Liston, Montanans Concerned with Disabilities
Gene Lewwer, MT Human Resource Development
Sharon Hoff, MT Catholic Conference
Glenn Johnson, Habitat for Humanities
LaVonne Peck, Housing Director of Human Resource Development

Opponents:

Robert Throssell, MT Clerk and Recorders

Opening Statement by Sponsor:

SEN. JOHN BOHLINGER, SD 7, BILLINGS, opened on SB 277-287.
EXHIBIT(los28a01)

Proponents' Testimony:

Mary Vandenbosch explained the bills. **EXHIBIT**(los28a02)

{Tape : 1; Side : A; Approx. Time Counter : 3:26 p.m.}

Patt Leikam, MT People's Action, turned in testimony in favor of
SB 277. **EXHIBIT**(los28a03)

Carson Strege, MT Housing Partnership, turned in reports from the
Montana Housing Fund Partnership. **EXHIBIT**(los28a04)

Byron Roberts, MT Building Industry Assoc., stood in support of
SB 277 and handed out statistics on Montana Housing Information.
EXHIBIT(los28a05)

Ren Essene, Housing Director of Women's Opportunity in Resource
Development, said they have developed rental housing, rent to own
housing, and home ownership in Missoula. They serve low income
families from 20-65 percent of the median income area. She said
they provide home ownership training and housing counseling in

their community. Non-profits have limited and competitive sources of money. Land acquisitions are one of their biggest barriers and the housing trust fund would be an excellent source of seed money. Currently, there are no other sources of seed money out there to acquire this land. One reason they have been so successful over the past few years is that Senator Conrad Burns allocated a one time allocation of HUD special purpose money. This has generated a lot of housing within their communities. It is critical that a housing trust fund have an annual dedicated source, because it takes multi-year activities to put projects together by developers. This is like a revolving loan program that they see in the economic development world. It is not a grant source, but will allow flexibility to structure debt as needed for specific projects.

Mick Robinson, Governor's Office, stated the Governor supports the concept of a housing trust fund to address needs in the state. The Governor has indicated the support for the increase in the fees that are included in this bill. It is critical they try to identify a funding source and a permanent source of revenue to build up the trust fund to provide for the needs of the state.

Jim Fleischmann, MT H.O.M.E. Program, passed out a survey.
EXHIBIT(los28a06)

{Tape : 1; Side : A; Approx. Time Counter : 3:48 p.m.}

Mary Bouchard, Montana's People Action, said the majority of people that she knows in Missoula pay two-thirds to one-half of their salary toward housing.

Carol Ann Hovland, Coalition of Montanans Concerned with Disabilities, said there is no affordable or accessible housing for disabilities in the State of Montana, and she cannot find housing that will fit her income to meet her disabilities.

Lora Dalton, MT People's Action, said she is a landlord in Bozeman and the rental market is very tight there. She said it is impossible for them to raise the rent in their building because their renters would be out on the street. As a landlord, she feels a responsibility to her community in maintaining affordable housing in the community.

Jim McGrath, Alderman in Second Ward of Missoula, said he represents very poor communities in Missoula. He said over the last 20 years the percentage of home-owners on the north side has gone from over 60 percent to 25 percent. The turnover in the school is over 50 percent and this is a neighborhood that has no stability. He said on the north side they brought together a

partnership with city and local banks, non-profit and profit businesses, and the neighborhood residents to address home ownership and rehabilitation. But on the north side there is now a lack of housing availability and this trust fund would enable the development of new housing.

{Tape : 1; Side : B; Approx. Time Counter : 3:56 p.m.}

Bob Liston, Montanans Concerned with Disabilities, said a housing trust fund could provide dollars for down-payment assistance and people could get out of subsidized housing. The fund could also provide dollars to rehabilitate older homes and create more accessibility for disabilities etc. The largest group of people in Montana who are trying to find housing is people with physical disabilities because there is no affordable or accessible housing available.

Gene Lewwer, MT Human Resource Development, said their agency is involved in building projects and the funds that would be provided by the housing trust fund would be good for pre-development costs. Many communities are prohibited from doing pre-development because of the lack of funds.

Sharon Hoff, MT Catholic Conference, said the Catholic Church has traditionally viewed housing as a basic human right rather than a commodity. Housing is a serious neglected priority issue. She said, nationally, they are seeing many increases in housing shortages and homelessness because of welfare reform.

Glenn Johnson, Habitat for Humanities, handed out testimony in support of SB 277. **EXHIBIT**(los28a07)

LaVonne Peck, Housing Director of Human Resource Development, said they provide housing counseling to 23 counties in the eastern part of the state and in the last five years they have worked with different communities and partnered in housing development. A housing trust fund would add another piece to a financial package that is becoming harder to put together as a developer. She said they are working on fair market rent to make it easier to find affordable housing. Economic development is moving forward in many communities but the housing is not there.

Opponents' Testimony:

Robert Throssell, MT Clerk and Recorders, said their concern is with Section 10 of the bill. He said the Clerk and Recorders are not tax collectors, they collect the service fee that they provide in their offices. He said each office has a computer tie to the Montana Department of Health where those records addressed

in the bill are kept. They are concerned with these extra taxes and that it will turn them into tax collectors and this needs to be handled through the county treasurer.

Questions from Committee Members and Responses:

SEN. DALE MAHLUM stated with technology wouldn't it be easy for the County Clerk to have in their software to exclude the extra dollar and then have it remitted. **Robert Throssell** said some of the counties do have that capability, but the opposition by the Clerk and Recorders is collecting this additional tax, not the services.

SEN. MAHLUM said there are other agencies that collect these types of fees and it would be easy with technology to put this money into a fund. **Robert Throssell** said they are being asked to collect an additional dollar that has no relationship to the services that they provide.

SEN. CHRIS CHRISTIAENS asked what will the role of the advisory council be that the Board of Housing is not already doing for loan programs for low and moderate incomes. **SEN BOHLINGER** said they are not expanding the bureaucracy by this bill. He said they are suggesting that the trust fund be administered by the people that are directly involved in providing housing for moderate and low income families.

SEN. CHRISTIAENS asked what the representation is of the current board that is appointed by the Governor. **Maureen Rude, MT Board of Housing**, said the board currently has seven members appointed by the Governor and they represent insurance, financial, landlords, attorneys and relators.

SEN. CHRISTIAENS said this bill talks about giving loans for other forms of financial assistance to eligible applicants. Will this be grants that are not repaid? **SEN. BOHLINGER** said ownership involves an obligation to repay. Loans should be made with buy down interest rates that would make repayment schedules affordable. This is not a grant program.

SEN. CHRISTIAENS asked if this will always be a loan program for gap financing and no grants are intended. **SEN. BOHLINGER** said yes.

SEN. JON TESTER asked if the intent of this fund is to use buy down percentage rates for the loan. He asked if the people that qualify for this loan are in the 80 and 95 percent median income. **SEN. BOHLINGER** said there will be qualifying requirements for those loan applications.

SEN. TESTER asked what percentage of the State of Montana would qualify for these loans. **SEN. BOHLINGER** said he didn't know.

SEN. TESTER asked if the money that is used for the buy down would not have to be paid back. **SEN. BOHLINGER** said no, it would not have to be paid back. There are many people that apply for these loans that are not good credit risks, they don't have the collateral and this would be a source of funding that would allow them to own a home. **Mary Vandembosch** said moderate and low income terms are defined in Section 2. But in Section 8 it addresses that the Board of Housing can adopt rules to implement the program and this would include eligibility criteria.

SEN. TESTER asked if on page 2, lines 2-4, isn't this talking about eligibility. **Mary Vandembosch** said these establish parameters, but at the same time, Section 8 also has the authority to adopt rules including eligibility of loan criteria.

SEN. TESTER asked if they could lower or higher that criteria. **Mary Vandembosch** said they couldn't be inconsistent with the law.

SEN. DON HARGROVE asked if there is any other low income housing programs that the board is associated with. **Maureen Rude** said there is the Home Investment Partnership, which is grants. There is the Community Development Block grant money and loans for first time home buyers and this is where the 95 percent of median income comes from. They also administer the low income housing tax credit program and the multi-family rental loan program. All of the Board of Housing programs issue bonds, but they must be paid back. Many of these programs are very competitive.

SEN. HARGROVE asked if any of those are matching fund programs. **Maureen Rude** said the home program does have a 25 percent match requirement.

SEN. HARGROVE asked if those funding mechanisms came into existence under this bill would they flow into some of these other programs or duplicate. **Maureen Rude** said all of the programs they work with have very specific restrictions and requirements.

{Tape : 1; Side : B; Approx. Time Counter : 4:25 p.m.}

SEN. HARGROVE said in Section 5 it talks about leveraging funds and what are some examples where they could do that. **Ren Essene** said there are other sources, but right now from a developer's perspective they cannot meet the needs of their community and by having matching dollars from the trust fund it can match with home programs and other sources.

SEN. HARGROVE asked if there are specific private or federal programs that provide matching funds for leveraging money. **Ren Essene** said yes and any time there are multiply sources it makes the whole package stronger and allows them to compete better at a national level.

SEN. HARGROVE said the composition of this board is important. He asked what form of voting does the board use to make these decisions. **SEN. BOHLINGER** said this board would set policy rather than setting as a loan committee and voting yes or no.

SEN. HARGROVE asked how often would the Clerk and Records turn in the money that they collect and would there be credit bearing accounts, etc. **SEN. BOHLINGER** said he hadn't given much thought to this, but probably on a monthly basis.

CHAIRMAN MIKE SPRAGUE asked on page 2, line 23-25, how would the board make the determination of what other forms of financial assistance there would be. **Maureen Rude** said the board under current law cannot make direct loans, they cannot make grants and they only buy loans through lenders. Other forms of financial assistance would be a guarantee on a loan.

CHAIRMAN SPRAGUE asked if Credit Development Block Grant (CDBG) money would overlap and perhaps take care of loans and leave the trust fund to purchase mortgages, etc. **Patt Leikam** said there are certain requirements that are attached to CDBG dollars that a private developer may or may not have access to.

CHAIRMAN SPRAGUE asked why there wasn't a sunset provision put in the bill once a certain level was reached in the trust fund. **Patt Leikam** said this money will be used for pre-development, purchasing land, etc. and there is no funding available to do this. She said many of their projects and housing plans are in five year increments or more. If there is a sunset provision or it is only done once, it will set them up for failure. They can't prove what they can do in one year and her concern is for the future.

SEN. DOROTHY ECK said there used to a be the Old Farmers Home and other low income housing programs that made loans to low income people with no money down etc. They figured out how much they could pay per month and as income went up, so did their payments. She asked could they make direct loans right now. **Maureen Rude** said the Board of Housing makes all their loans through lenders. They no longer have the Old Farmers Home Program because many people never reported an increase in their income. All programs are done now where the subsidy is up front and the mortgage is bought down.

SEN. ECK asked if they work with banks and guarantee them.

Maureen Rude said they act as a secondary market, lenders make the loan and do all of the appraisals etc. then they buy the loan from the lender.

CHAIRMAN SPRAGUE asked if mobile homes would qualify for loans.

Maureen Rude said right now under existing rules their loans have to be FHA insured, VA guaranteed or Rural Development guarantee. Those programs require that a mobile home be on a permanent foundation. Currently, one problem is they don't have funding to help people who may want to change the infrastructure of a mobile home park, etc.

{Tape : 1; Side : B; Approx. Time Counter : 4:40 p.m.}

SEN. TESTER said how much money will this raise and will it cost more to have the election than the actual amount of money raised.

SEN. BOHLINGER said in the preliminary study they estimated it would generate \$5 Million per year.

SEN. TESTER asked if this included all of the unclaimed lottery revenue etc.? **SEN. BOHLINGER** said no, he is only talking about the fees that the clerk and recorder will collect.

SEN. TESTER asked at what point of time does this program rise and fall, he said what if seven bills fail and three pass or visa-versa does the program still exist. **SEN. BOHLINGER** stated it is hard to say how the electorate will respond to this request. However, they are desperate to get this program off the ground and whatever money is available is what they start with.

SEN. TESTER asked what kind of support is there for developers and is this also set up to buy down loans. **SEN. BOHLINGER** replied developers have problems finding and funding land and the involvement of the trust fund will help acquire this land.

SEN. TESTER asked how will this make rent cheaper, the developer etc. could make some serious money on the backs of a program that is designed to help the people. What happens if the developer wants all of the benefits, but then doesn't give any of it back.

SEN. BOHLINGER said this is why it is important to have the trust fund advisory council to set policy that will not allow this.

SEN. MAHLUM asked on page 2, line 25, are the other types of financial assistance in the form of loans. **SEN. BOHLINGER** said yes, it will be loans and not grants. **Maureen Rude** said their board cannot give grants under current law.

SEN. MAHLUM asked if they take in this money and it is given back in the form of loans, in about five years they will have a lot of money on hand. **Maureen Rude** said she could not figure that for the fiscal note because of different policies set up on loans.

SEN. HARGROVE said this money is not included in the executive budget even though there is an impact on the General Fund. He asked was there an attempt to include it in the General Fund.

SEN. BOHLINGER said the Governor supported the concept, but didn't mention the fall back provisions and he doesn't know how the Governor feels about this.

{Tape : 2; Side : A; Approx. Time Counter : 4:52 p.m.}

Closing by Sponsor:

SEN. BOHLINGER said in the last 10 years there has been no new public housing units built in the State of Montana. He referred to the Montana Housing Information by the Montana Building Industry. **EXHIBIT (4)** He also referred to the survey done by the Montana H.O.M.E. program. **EXHIBIT (5)** This is more than economic development, it is giving people a place to raise a family, build communities, and a sense of ownership. He said of the 10 fees that they would collect, six relate directly to housing. He read a quote from the Declaration of Independence stressing that people are sovereign and he feels that is what this bill is all about.

ADJOURNMENT

Adjournment: 5:04 P.M.

SEN. MIKE SPRAGUE, Chairman

JODI PAULEY, Secretary

MS/JP

EXHIBIT (los28aad)